IN THE UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

DATATREASURY CORP.	§	
	§	
Plaintiff	§	
v.	§	
	§	Civil Action No. 2:06-CV-165 DF
CITY NATIONAL CORPORATION and CITY NATIONAL BANK,	§	
	§	
	§	
Defendants	§	

SUPPLEMENT TO DEFENDANTS' MOTION (1) TO DISMISS FOR LACK OF PROPER VENUE; (2) TO DISMISS FOR FAILURE TO STATE A CLAIM; OR, IN THE ALTERNATIVE, (3) FOR MORE DEFINITE STATEMENT; AND JOINDER IN JOINT MOTION OF DEFENDANTS TO DISMISS, OR IN THE ALTERNATIVE, FOR MORE DEFINITE STATEMENT IN CASE NO. 2:06-CV-72 DF

City National Corporation and City National Bank, defendants, file this Supplement pursuant to the Court's February 12, 2007 Order (Dkt. No. 40). The purpose of this Supplement is to address briefly the question of whether defendants' acceptance of the stay and the modified *Antor* stipulation, without more, subjects defendants to personal jurisdiction in this District.

1. On June 1 and 2, 2006, defendants filed their Motion (1) to Dismiss for Lack of Proper Venue; (2) to Dismiss for Failure to State a Claim; or in the alternative, (3) for More Definite Statement; and Joinder in Joint Motion of Defendants to Dismiss, or in the alternative, for More Definite Statement in case no. 2:06-cv-72 DF (hereafter "Motion to Dismiss"). Dkt. Nos. 13 & 14. Plaintiff responded to the Motion to Dismiss and defendants filed their reply. Dkt. Nos. 24 & 30, respectively. These matters, along with Plaintiff's Motion to Authorize Jurisdictional Discovery Against Defendants City National Corporation and City National Bank, and defendants' response thereto, were set for hearing on January 16, 2007.

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2. On January 10, 2007, the Court entered an Order granting motions to stay in three parallel cases filed by plaintiff.[1] Dkt. No. 98 in Case 2:05-cv-00291-DF, *DataTreasury Corporation v. Wells Fargo & Co., et al.* The stay was conditioned upon the acceptance of the Court's modified *Antor* stipulation. On January 12, 2007, the Court entered an Order in Case 2:06-cv-72-DF, *DataTreasury Corporation v. Wells Fargo & Company, et al.*, granting a stay of the "Ballard Patent" claims, again conditioned on the acceptance of a modified *Antor* stipulation. Dkt. No. 411 in Case 2:06-cv-72-DF. On January 23, 2007 defendants filed their Notice of Acceptance of Stipulation Required for Stay (Doc. No. 38 in this case; Doc. No. 434 in Case 2:06-cv-72-DF).

3. As set out in Section II of their Motion to Dismiss, defendants' position is that plaintiff has failed to establish venue under 28 U.S.C. § 1400(b). For three reasons, defendants submit that their acceptance of the stay and stipulation should not constitute a waiver of their motion to dismiss for improper venue under Rule 12(b)(3).

4. First, there is no evidence that defendants intended to waive their Rule 12(b)(3) motion and their objection to personal jurisdiction when they accepted the stipulation and stay. The right to be tried only by a court of competent jurisdiction is a liberty interest protected by the Constitution. *Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee,* 456 U.S. 694, 701-02, 102 S.Ct. 2099, 2104, 72 L.Ed.2d 492, 501 (1982). The waiver of constitutional rights in any context must "at the very *least,* be clear" to be effective. *Fuentes v. Shevin,* 407 U.S. 67, 95, 92 S.Ct. 1983, 2001, 32 L.Ed.2d 556 (1972) (emphasis original); *cf. Petrowski v. Hawkeye-Security Insurance Co.,* 350 U.S. 495, 76 S.Ct. 490, 100 L.Ed. 639 (1956) (example of

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[1] Case Number 2:05-CV-291-DF, pending in the U.S. District Court for the Eastern District of Texas, Marshall Division; *DataTreasury Corporation v. Wells Fargo & Company, et al.;* Case No. 2:05-cv-292-DF, pending in the U.S District Court for the Eastern District of Texas, Marshall Division; *DataTreasury Corporation v. Bank of America Corp., et al.;* and Case Number 2:05-CV-293-DF, pending in the U.S. District Court for the Eastern District of Texas, Marshall Division; *DataTreasury Corporation v. Wachovia Corporation, et al.*

a stipulation clearly waiving personal jurisdiction defense). Defendants showed no intent to waive their objection to personal jurisdiction in this District when they accepted the stipulation and stay.

5. Second, if the court determines generally that a defendant waives its objection to personal jurisdiction if it accepts the stipulation and stay, without more, this may well defeat the sound reasons cited by the Court for granting the stay. The number of petitions for reexamination filed with the PTO increased significantly from 2002 to 2006. The PTO's Performance and Accountability Report Fiscal Year 2006, Table 13A: Ex Parte Reexamination, which is attached hereto as Exhibit A and found at http://www.uspto.gov/web/offices/com/annual/2006/50313a_table13a.html, shows that requests for ex-parte reexaminations increased from 272 in 2002 to 511 in 2006.[2] Importantly, the "Requests known to have related litigation" in Exhibit A also increased annually. Table 13B: Inter Partes Reexamination, attached hereto as Exhibit B and found at http://www.uspto.gov/web/offices/com/annual/2006/50313b_table13b.html , also shows increased filings.

6. Given the increasing number of reexamination proceedings filed with the PTO, the courts in this District may well see more motions to stay based on pending reexaminations. In patent cases, defendants must engage in significant amounts of work relatively early in the case and often prior to the Court ruling on motions to dismiss. Holding that a defendant's acceptance of the stipulation and stay, without more, waives the defendant's right to contest personal jurisdiction forces a defendant to choose between A) accepting the stay and shutting down legal costs and unnecessary expense (but waiving personal jurisdiction defenses), or B) rejecting the stay and fighting the personal jurisdiction battle (but continuing to spend hundreds

[2] The drop in filings from 2005 to 2006 should not be looked at with relief. Inter partes reexamination proceedings are expected to increase significantly in 2007. Plaintiff was unable to obtain 2007 monthly numbers from the PTO to see whether this has in fact occurred.

of thousands, if not millions, of dollars in defense costs). Although each case is different, defendants submit that parties will be less likely to accept the stipulation and stay if such action, without more, constitutes a waiver of personal jurisdiction defenses. From a policy perspective, this result would defeat the valid reasons for the stay – to promote judicial economy, to preserve judicial resources, and to avoid unnecessary costs to the parties.

7. In the event this Court or an appellate court determines that acceptance of a stay with the *Antor* stipulation (or a modified *Antor* stipulation) waives the defendant's personal jurisdiction defenses, defendants respectfully submit that the Court should reconsider whether a stay should be conditioned on the acceptance of this type of stipulation.

8. Third, the acceptance of the stipulation and stay falls outside the type of "affirmative relief" that generally constitutes waiver of an objection to personal jurisdiction. In the Fifth Circuit, the filing of a counterclaim, cross-claim or third-party claim does not, without more, waive an objection to personal jurisdiction. *PaineWebber Inc. v. Chase Manhattan Private Bank (Switzerland)*, 260 F.3d 453, 461 (5th Cir. 2001). In *PaineWebber*, which involved a personal jurisdiction question in the context of an arbitration provision, the Fifth Circuit denied PaineWebber's argument that Chase-Switzerland waived its objection to personal jurisdiction by seeking a stay pending appeal and an injunction to prevent PaineWebber from proceeding with arbitration of certain claims during the pendency of the appeal. *Id. at* 460. Although defendants' stay here is not based specifically on the defense of personal jurisdiction, it is clear from this Court's Order that acceptance of the stipulation was a condition for the stay. Defendants undoubtedly would have preferred a stay with no stipulation; it is not something that defendants affirmatively asked for and should not constitute "affirmative relief."

Defendants respectfully request the Court to consider this Supplement during the Court's consideration of the motions and responses at issue.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5 (a)(3)(A) on February 16, 2007.

/s/ Kurt M. Sauer____________